



**STATE BOARD OF EQUALIZATION**

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Executive Director

**STATE BOARD OF EQUALIZATION MEETING  
450 N Street, Room 121, Sacramento  
NOTICE AND AGENDA  
Meeting Agenda (as of 1/7/2014, 10:30 AM)**

[Agenda Changes](#)

[Webcast on Thursday, January 16, 2014](#)

**Thursday, January 16, 2014**

**10:00 a.m. Board Committee Meetings Convene\***

**Board Meeting convenes upon Adjournment of the Board Committee Meetings\*\***

Agenda items occur in the order in which they appear on the agenda. When circumstances warrant, the Board's Chair may modify the order of the items on the agenda.

**Board Committee Meetings\***

[Legislative Committee](#) .....Mr. Horton, Committee Chairman

**I. 2014 Legislative Proposals**

Set forth below are suggestions for business taxes legislation to be sponsored by the BOE in the second year of the 2013-14 Legislative Session.

**2014 Legislative Proposals: Business Taxes: Sales and Use Taxes**

- 3-1 Amend Revenue and Taxation Code Section 6007 of, and add Revenue and Taxation Code Section 6009.2 to, the Sales and Use Tax Law to define "retail sale," "sale at retail," and "storage" and "use" to include any sale or purchase of counterfeit tangible personal property, as specified, regardless of whether the sale is for resale in the regular course of business.
- 3-2 Amend Public Resources Code (PRC) Section 4629.5 to (1) allow retailers to claim a bad debt deduction for the lumber products assessment and (2) establish a threshold of annual sales of \$25,000 in qualifying lumber products, under which a retailer is not required to collect the lumber product assessment.

- 3-3 Amend Revenue and Taxation Code Section 6479.3 of the Sales and Use Tax Law to require taxpayers with sales and use tax liabilities averaging \$20,000 or more per month, rather than \$10,000 or more per month, to remit their tax payments via an electronic funds transfer.
- 3-4 Add Revenue and Taxation Code Section 6369.6 to the Sales and Use Tax Law to provide a sales and use tax exemption for terminally ill patients on purchases of medical marijuana.

### **2014 Legislative Proposals: Business Taxes: Special Taxes and Fees**

- 4-1 Add the Managed Audit Program authority to the following Special Tax and Fee programs: Motor Vehicle Fuel Tax Law, Use Fuel Tax Law, Cigarette and Tobacco Products Tax Law, Alcoholic Beverage Tax Law, Energy Resources Surcharge Law, Emergency Telephone Users Surcharge Law, Hazardous Substances Tax Law, Integrated Waste Management Fee Law, Oil Spill Response, Prevention, and Administration Fees Law, Underground Storage Tank Maintenance Fee Law, Fee Collection Procedures Law, and Diesel Fuel Tax Law.

## **II. Discussion Item**

Status of BOE-sponsored Assembly Bill 919 (Williams).

[Property Tax Committee](#) .....Mr. Runner, Committee Chairman

- 1. Report on Bundled Nontaxable Software – Embedded Software  
Staff to present a report summarizing findings of information gathered from county assessors and the BOE's State-Assessed Properties Division regarding the treatment of embedded software for assessment purposes.

## **Board Meeting\*\***

- A. Homeowner and Renter Property Tax Assistance Appeals Hearings  
There are no items for this matter.
- B. **Corporate Franchise and Personal Income Tax Appeals Hearings**  
(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

### **B1. [Stephen Shain and Cathy Shain, 628402 +](#)**

For Appellants: Stephen Shain, Taxpayer  
Cathy Shain, Taxpayer  
Kellen Furlin, Representative  
For Franchise Tax Board: Nancy Parker, Tax Counsel  
Karen Smith, Tax Counsel

**B2. Kenneth Dean, 621012 +**

For Appellant: Kenneth Dean, Taxpayer  
Kellen Furlin, Representative  
For Franchise Tax Board: Richard Tay, Tax Counsel  
Karen Smith, Tax Counsel

**C. Sales and Use Tax Appeals Hearings**

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

**C1. Gurenderjeet Singh Sandhu, 515741 (KH) +**

For Petitioner: Gurenderjeet Sandhu, Taxpayer  
George Fakhouri, Representative  
For Department: Scott Lambert, Hearing Representative

**~~C2. Rocks, LLC, 459156 (GH) +~~**

~~For Petitioner: Jesse W. McClellan, Attorney~~  
~~For Department: Scott Lambert, Hearing Representative~~

**C3. R & G Schatz Farms, Inc., 547724, 588579, 592624 (KH) +**

For Petitioner: Rodney Schatz, Taxpayer  
Gayla Schatz, Taxpayer  
For Department: Monica Silva, Tax Counsel

**D. Special Taxes Appeals Hearing**

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

**D1a. Sandy Seybert, 598180 (STF) +****D1b. Sandy Seybert, 598183 (STF) +**

For Petitioner: Alfredo Sotelo, Representative  
For Department: Pamela Mash, Tax Counsel

There are no items for the following matters:

- E. Property Tax Appeals Hearings
- F. Public Hearings

**G. Tax Program Nonappearance Matters – Consent**

(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

**G1. Legal Appeals Matters ..... Mr. Angeja**

- Hearing Notice Sent – No Response
  1. Danein L. Lawrence and Larry Louis Lawrence, 553252 (KH)
- Hearing Notices Sent – Appearance Waived
  2. Distributor Warehouse, 512831, 574889 (EH)
  3. Ontario Systems Distribution, Inc., 512828, 574890 (EH)
- Petitions for Rehearing
  4. William G. Morschauser, 225366, 255762, 341121, 530753 (AP)
  5. Store2Door, Inc., 352179 (AC)

## G2. Franchise and Income Tax Matters ..... Mr. Epolite

- Hearing Notice Sent – No Response
  1. Rick Burningham, 688096
- Decisions
  2. Thomas Bodnar, 605188
  3. C & K Market, Inc., 595880
  4. Kevin Carlson, 635406
  5. Jean Cassio, 644412
  6. Patricia Clinton, 631008
  7. Eric W. Conner, 644425
  8. Zac Cook and Melissa Cook, 595773
  9. Raymond Cruz, Sr. and Frances Cruz, 612450
  10. Gloria Deanda, 640306
  11. Hector L. Diaz and Gale L. McDougall, 596029
  12. Paul S. Entin, 575896
  13. Edward Frierson and Andrae Frierson, 627539
  14. John M. Giles and Rosalyn D. Giles, 609560
  15. Joseph A. Harvan, 595048
  16. Masami Hirata, 606576
  17. Rebeca G. Huereque, 605982
  18. Troy Jolliff, 638354
  19. Ruben F. Lapus and Aurora P. Lapus, 636953
  20. Noah Montgomery, 613868
  21. Frank E. Pinder, III, 636632
  22. Michael Rogalski and Anna K. Rogalski, 636186
  23. Christine Ryan, 682947
  24. Tracey Scraper, 603326
  25. Milton P. Smith, III, 589184
  26. Ray Todd and Mary Todd, 574310
  27. Tommy H. Woo and Irene M. Woo, 610958
- Petitions for Rehearing
  28. Elias Gallegos, III, 575218, 575222
  - 29a. James S. Gandrup, 605520
  - 29b. Carol Grant, 600451
  - 29c. Eldo M. Klingenberg, Jr., 600453
  - 29d. Dan Pickell, 600488
  - 29e. Marianne Pretscher-Johnson, 605527
  30. Daxius Donald Gregory, 625150
  - 31a. Benjamin F. Killen, 606504
  - 31b. James V. Robertson, 608631
  - 31c. Champion Wiseman, 608439
  32. Jason Kowalski, 588431
  33. Charles A. McConnell, 608455

G3. Homeowner and Renter Property Tax Assistance Matters  
There are no items for this matter.

## G4. Sales and Use Taxes Matters .....Mr. McGuire

- Redeterminations
  1. 3Trace, 728077 (EA)
  2. Integra Lifesciences Corporation, 573658 (OH)
  3. ADT Security Services, Inc., 598193 (OH)
  4. Spansion, LLC, 743394 (GH)
  5. INO Therapeutics, LLC, 577578 (OH)
  6. Integra Lifesciences Corporation, 572717 (OH)
  7. Larry William Delorefice, 519803 (CH)
  8. Primera Technology, Inc., 491473 (OH)
- Relief of Penalty/Interest
  9. Office Club, Inc., 768803 (OH)
- Denials of Claims for Refund
  10. Nissan Motor Acceptance Corp., 571352 (OH)
  11. Norman Wright Mechanical Equip. Co., 739273 (BH)
  12. San Diego County Credit Union, 466552 (FH)
  13. Motion Industries, Inc., 539351 (FH)
  14. Westlake Services, Inc., 546342 (AS)
  15. Kemira Chemicals, Inc., 621307 (OH)
  16. Mainstreet Enterprises, 606749 (EA)
  17. Carmax Business Services, LLC, 636353 (OH)
- Grant-One Day Interest Relief
  18. Tustin Buick GMC, Inc., 771823 (EA)
  19. Collins Family Jewelers, Inc., 771824 (FH)
  20. Clear Creek Systems, Inc., 771821 (DF)
  21. Recreation Republic, 771822 (FH)
  22. STA Sales, Inc., 771819 (AC)
  23. JX Nippon Oil & Energy Corp., 771820 (OH)

## G5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds .....Mr. McGuire

- Credits and Cancellations
  1. Avalon Shutters, Inc., 759959 (EH)
  2. Pierce Manufacturing, Inc., 772630 (OH)
  3. Clifford C. Post, 609636 (FH)
  4. Heriberto Reyna, 768831 (DF)
  5. The Healing Center, Inc., 621163 (AC)
- Refunds
  6. Nissan Motor Acceptance, Corp., 571352 (OH)
  7. Blue Cross of California, 715851 (AR)
  8. Trojan Petroleum, Inc., 721745 (GH)
  9. American Honda Finance, Corp., 436952 (AS)
  10. Genesys Telecommunications Labs, 579096 (BH)
  11. Hexcel Corporation, 594427 (CH)
  12. San Diego County Credit Union, 466552 (FH)
  13. Bruker Nano, Inc., 733469 (GH)
  14. CD Video Manufacturing, Inc., 758088 (EA)
  15. Good Samaritan Hospital, LP 594114 (GH)

16. Valero Refining, Co. –CA, 727872 (OH)
17. Saint-Gobain Containers, Inc., 740175 (OH)
18. Central Valley Meat Co. Inc., 603822 (DF)
19. Sodexo Remote Sites Partnership, 723213 (AR)
20. Westlake Services, Inc., 546342 (AS)
21. Kemira Chemicals, Inc., 621307 (OH)
22. Fres-co Systems USA, Inc., 728955 (OH)
23. Ino Therapeutics, LLC, 577540 (OH)
24. Winco Foods, LLC, 608876 (OH)
25. Medcal Sales, LLC, 718991 (EH)
26. NFL Enterprises, LLC, 531663 (OH)
27. Siemens Demag Deval Turbo, Inc., 766781 (OH)
28. Syndero, Inc., 767513 (AS)
29. Carmax Business Services, LLC 636353 (OH)
30. Qualcomm Labs, Inc., 734428 (FH)

G6. Special Taxes Matters

There are no items for this matter.

G7. Special Taxes Matters – Credits, Cancellations, and Refunds ..... Mr. Gau

➤ Refund

1. Accolade Wines North America, Inc., 766493 (STF) 'CF'

G8. Property Tax Matters ..... Mr. Gau

➤ Petition for Reassessment of Unitary Value and Penalty

Abatement on Unitary Escape Assessment

1. NTT America, Inc., (7732), 734425 'CF'

There are no items for the following matters:

G9. Cigarette License Fee Matters

G10. Legal Appeals Property Tax Matters

**H. Tax Program Nonappearance Matters – Adjudicatory**

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

H1. Legal Appeals Matters ..... Mr. Angeja

➤ Cases Heard Not Decided

1. [Benalex Windows & Doors, Corp., 446664 \(AA\) +](#)
2. [Karen D. Hulse, 458251 \(EH\) +](#)

➤ Petition for Rehearing

3. [Nnadi Linus Udengwu, 515515 \(AP\) +](#)

There are no items for the following matters:

- H2. Franchise and Income Tax Matters
- H3. Homeowner and Renter Property Tax Assistance Matters
- H4. Sales and Use Taxes Matters
- H5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds
- H6. Special Taxes Matters
- H7. Special Taxes Matters – Credits, Cancellations, and Refunds
- H8. Property Tax Matters
- H9. Cigarette License Fee Matters
- H10. Legal Appeals Property Tax Matters

## I. Tax Program Nonappearance Matters

(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

- I1. Property Taxes Matters  
There are no items for this matter.
- I2. Offer in Compromise Recommendations .....Mr. Anderson
  - 1. Deepak Chopra
  - 2. Gasa Investments Corporation
  - 3a. Gerardo Cipres
  - 3b. Celia Cipres
  - 4. Victor L. Lucero and Gail Lucero
  - 5. James Jason Conlin
  - 6. Esprit US Retail Limited
  - 7a. Marshall Jordan
  - 7b. Ruth Jordan
  - 8. Sam Ayesh
  - 9. Kemal Dogan
  - 10. Stephen Wayne Sundes
- I3. Local Tax Reallocation Matter .....Ms. Nienow
  - Section 40 (AB 2323) Matter
    - 1. [Cities of Fontana, Lathrop and San Bernardino, 435564 +](#)

## Chief Counsel Matters

Items that appear under these matters provide information to the Members and may require Board action or direction.

## J. Rulemaking

- J1. [Proposed Adoption of Revised Amendments to Sales and Use Tax Regulation 1705, \*Relief from Liability\* +](#) .....Mr. Heller  
Request for adoption of proposed amendments to Regulation 1705 with the change authorized on December 17, 2013.

There are no items for the following matters:

- K. Business Taxes
- L. Property Taxes
- M. Other Chief Counsel Matters

### **Administrative Session**

Items that appear under these matters provide information to the Members and may require Board action or direction.

- N. Consent Agenda** ..... Ms. Richmond  
(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

**N1. Retirement Resolutions +**

- Patricia A. Beacham
- Walter Cochara
- J. Kevin Hartnett

**N2. Approval of Board Meeting Minutes**

- **October 22, 2013 +**
- October 29-31, 2013 ++

**N3. Proposed Revisions to Audit Manual, Chapter 1, *General Information* ++**

**N4. Proposed Revision to Audit Manual, Chapter 4, *General Audit Procedures* ++**

**O. Adoption of Board Committee Reports and Approval of Committee Actions**

- O1. Legislative Committee
- O2. Property Tax Committee

**P. Other Administrative Matters**

**P1. Executive Director's Report** ..... Ms. Bridges

- 1. CROS Project Update and Actions ..... Mr. Steen  
Progress on the CROS project to replace BOE's two  
current tax legacy technology systems.

There are no items for this matter.

- P2. Chief Counsel Report
- P3. Sales and Use Tax Deputy Director's Report



P4. Property and Special Taxes Deputy Director's Report..... Mr. Gau

1. Effects of Proposition 10 on Cigarette and Tobacco Products Consumption ++

Section 130105(c) of the Health and Safety Code, as added by Proposition 10, requires the Board to determine the effect of Proposition 10 on the consumption of cigarettes and tobacco products and directs that a transfer of funds to Proposition 99 and breast cancer programs be made to backfill for revenue losses to those programs resulting from consumption changes triggered by Proposition 10. The intent of the backfill is to keep the funding levels of certain Proposition 99 and breast cancer programs from declining any more than they would have decreased without the Proposition 10 tax increase.

P5. Administration Deputy Director's Report + ..... Ms. Houser

1. 2014/15 Budget Update

Information on the Governor's 2014/15 Budget may be provided.

There are no items for this matter.

P6. Technology Deputy Director's Report

P7. External Affairs Deputy Director's Report

Announcement of Closed Session ..... Ms. Richmond

**Q. Closed Session**

Q1. Discussion and approval of staff recommendations regarding settlement cases (Rev. & Tax. Code, §§ 6901, 7093.5, 30459.1, 50156.11).

Q2. Discussion of Master Settlement Agreement Tobacco Litigation (Gov. Code, §11126(e)).

Q3. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

Announcement of Open Session..... Ms. Richmond

**Adjourn**

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The hearing location is accessible to people with disabilities. Please contact Rose Smith at (916) 323-9656, or email [Rose.Smith@boe.ca.gov](mailto:Rose.Smith@boe.ca.gov) if you require special assistance.

Joann Richmond, Chief  
Board Proceedings Division

- \* Public comment on any committee agenda item will be accepted at the beginning of the committee meeting. Subsequent to committee meetings, committee agenda items may be taken up separately during the Board meeting.
- \*\* Public comment on any agenda item, other than a Closed Session item or an item which has already been considered by a Board Committee, will be accepted at that meeting.
- + Material is available for this item.
- ++ Material will be available at a later date.
- 'CF' Constitutional Function – The Deputy State Controller may not participate in this matter under Government Code section 7.9.